

FEDERAL ENERGY REGULATORY COMMISSION
OFFICE OF MARKETS, TARIFFS AND RATES
WASHINGTON, DC 20426

May 23, 2002

Natural Gas Intelligence
22648 Glenn Drive, Suite 305
Sterling, VA 20164

Attn: Mark Curran
Managing Price Editor

Re: Fact-Finding Investigation of Potential Manipulation of Electric
and Natural Gas Prices (FERC Docket No. PA02-2-000)

Dear Mr. Curran:

Pursuant to an order issued February 13, 2002,¹ the Staff of the Federal Energy Regulatory Commission (FERC) is conducting a fact-finding investigation on whether any entity manipulated short-term prices for electric energy or natural gas in the Western United States, or otherwise exercised undue influence over wholesale electric prices in the West, since January 1, 2000, resulting in potentially unjust and unreasonable rates in long-term power sales contracts subsequently entered into by sellers in the West. This investigation is designated as FERC Docket No. PA02-2-000.

As part of this investigation, Staff must determine how natural gas price information that is available to the public is collected and reported. In order to complete our research, we request your cooperation in answering the following questions:

Please provide the following information:

1. Provide a detailed description of the process for gathering and posting natural gas price indices used by Natural Gas Intelligence's (NGI) daily and *Weekly* Gas Price Index, including all procedures used to verify the accuracy of the data and to calculate the index prices. Explain any differences between the price indices posted in the weekly and daily publications.

¹Order Directing Staff Investigation, 98 FERC ¶ 61,165 (2002).

2. Describe the history of posted price information for SoCal Gas and PG&E for the *Weekly Gas Price Index*.
 - a. When did the *Weekly Gas Price Index* publication begin posting separate prices for PG&E and SoCal Gas and explain if there was a significant event or a set of factors that together contributed to the price differential?
 - b. Does *Weekly Gas Price Index* publication use deliveries at Topock as an input for calculating the "Southern Border" PG&E and SoCal Gas indices?
 - c. Describe in detail the typical contribution of each of the various delivery points (Topock, Blythe, Needles, Ehrenburg and Daggett) that is used to derive the price indices for SoCal Gas and PG&E. Discuss the relationship of the prices at these delivery points (i.e. correlation and relative volatility).
3. To what extent did Natural Gas Intelligence use prices posted on Enron Online in developing the prices it posted?
4. To what extent have market participants indicated that they use Enron Online as a price discovery mechanism for natural gas prices?

Please provide your written response no later than June 4. A copy of this information request will be placed on the Commission's web page for Docket No. PA02-2-000 (<http://www.ferc.gov/electric/bulkpower/pa02-2/pa02-2.htm>). As explained in the notice issued on February 26, 2002 in this proceeding, you may request confidential treatment of any of your responses to this information request in accordance with the Commission's regulations (*see* 18 C.F.R. § 388.112 (2001)). If you need any assistance with respect to this information request, please contact David Hunger of the Commission Staff at 202/208-0148.

Very truly yours,

Donald J. Gelinas
Associate Director
Office of Markets, Tariffs and Rates